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THE U.S. AND THE NEW REGIONALISM IN THE WESTERN HEMISPHERE

The end of the Cold War created new possibilities in the global international relations. One of them was the possibility of developing international cooperation in the different areas. Of course, those changes also included Latin American region and the western hemisphere. Among most important processes we have to mention economic cooperation. It was that time when there appeared new forms of cooperation, such as Central European Free Trade Area (CAFTA) in Europe or Asia – Pacific Economic Cooperation (APEC) in the South East Asia and the Pacific Region. Also, in the western hemisphere there appeared new forms of integration (MERCOSUR) or the older ones were transformed (Andean Group). Finally, the world biggest economy – the United States – begun to be interested in economic cooperation and integration with its southern neighbors. At 1994 the North American Free Trade Agreement was endorsed and during the first Summit of the Americas the idea of Free Trade Area of the Americas was presented. The aim of the paper is to present the role of economic integration in the U.S. Latin American policy. The motives and interests that push the United States to undertake the economic integration with Latin American countries are revealed. Finally, the answer to the question: ‘Can economic integration be an effective instrument of U.S. Latin American policy?’ is suggested.

During the last quarter of the twentieth century the processes of internationalization significantly increased in their dynamic, intensity and range. A lot of them were of international and even global character. All of that was made possible thanks to two factors: first, the process that some scholars describe as a “second capitalist revolution” and that, most of all, means the great development of mass communication measures; second, the development of neoliberal ideology that promotes interests of transnational companies as well as industrial and financial groups (Kukułka 2000: 242). Due to these factors, different processes of globalization have developed. Progressively these processes contained more and more spheres. This refers especially to information, finances and technology. The advocates of neoliberal ideology envision these processes as the beginning of global society.

However, together with the progressing intensification of global processes in international relations, we can also observe something which is called regionalism. This process is the result of special international correlations connected with the geopolitical position, economic development and also history, culture, religion or language. Generally, regionalism can be defined as a cooperation of countries within the frames of a territory, related to the community of interests (Malendowski, Mojsiewicz 1998: 218). Irrespective to the definition of regionalism, it is beyond doubt that in the contemporary world states are not able to develop alone, neither economically nor politically. So, the effect of regionalism is a progressive regionalization understood as a separation of regions on the base of different criteria and regional policies of the

countries in a specific region. Three main criteria of regions' separation are: 1) the geographic criterion, 2) the systematic criterion and 3) the criterion of integration and a common regional interest (Haližak 1994: 164). Countries tend to regionalization that produces regional integration. Regional cooperation helps to achieve such goals as, for example, increased security. To accomplish these aims, countries can use such instruments as creation of alliances, signing treaties and agreements, development of political, military, and economic integration.

The debt crisis of the 1980s and the consequent balance of payment problems induced a deep recession in Latin America and with that a severe contraction of imports. Since intraregional imports are the other side of intraregional exports, the collapse in the Latin American economy also caused a collapse of intraregional trade and an open crisis in the already flagging formal integration agreements. There was a general economic paralysis in the region, coupled with the emergence of a recently developed strategy based on market opening. Correct relative prices and privatization seemed to be the final deathblow for regional integration. However, to the surprise of many observers, new regional initiatives began to appear in the second half of the 1980s and a true resurgence materialized in the 1990s. The new regionalism of the last decade of the twentieth century is an integral part of the broad-based structural reforms that have been underway in Latin America since the mid-1980s. The central features of today's strategy include opening to world markets, promotion of private sector initiative and withdrawal of the state from direct economic activity (Devlin, Estevadeordal 2001: 5–6). The last decade of the twentieth century brought also an increased interest in economic integration in the biggest world economy – the United States. In 1994 the United States, Canada and Mexico created the North American Free Trade Agreement (NAFTA). It was not the only initiative on the part of the U.S. A few years earlier President George Bush Senior announced his Initiative for the Americas. Partly, it was the effect of increased integration among Latin American countries. In that region, there appeared new integration blocks, such as the Southern Cone Market (MERCOSUR),¹ or ones that already existed, such as the Andean Group² or the Central American Common Market,³ intensified their activity. In this situation, in the United States, there appeared opinions that economic integration might not only be a useful instrument of Latin American policy, but also an instrument that could serve American global policy, especially in the area of international economic relations.

Engagement of the United States in the new regional initiatives was possible because of the changes that took place in the United State's Latin American policy. In the new international situation, after the end of the Cold War, politicians in Washington began to believe that the United States could achieve some of its policy goals through cooperation, not rivalization, with Latin American countries. A lot of American politicians understood that not only political affairs but also economic ones determined the

¹ About the MERCOSUR see, among others: E. Amayo, *El Mercosur en la integración latinoamericana y caribeña: contextos, dimensiones y procesos*, Guadalajara: Universidad, 2006; *Mercosur: regional integration, world markets*, ed. R. Roett, Boulder: Lynne Rienner, 1999.

² About the Andean Group writes, among others: A.M. Casas Gragea, *Integración regional y desarrollo en los países andinos*, Quito: Univ. Andina Simón Bolívar, Sede Ecuador, 2003; R. Crandall, *The Andes in focus: security, democracy & economic reform*, Boulder: Lynne Rienner, 2005.

³ See: R.G. Williams, *The Central American Common Market: a case study of the state and peripheral capitalism*, *SECOLAS annals*, Vol. 13, 1982, 71–82.

national interest (Smith 1996: 235). The revaluation of Latin American policy that took place in the United States during the George Bush Senior administration has had two fundamental effects. First, the United States resigned from the ideological perception of its relations with Latin American countries that had been characteristic for the Reagan years. Secondly, the Bush administration noticed changes that had taken place in Latin America, most of all, the democratization of its political systems and liberalization of economies. As a result, President Bush articulated a proposal for partnership for Latin America; a partnership between Latin American and Caribbean countries on the one hand and the United States on the other (Porter 1990). In June 1990, President Bush announced his Enterprise for the Americas Initiative that had three fundamental pillars: trade, investment and debt reduction (American Foreign Policy. Current Documents – 1990, 814). The Initiative has significantly changed the conditions of the debate over inter-American relations. As a result, it was the George Bush Senior administration that pushed the United States toward a new regionalism in the Western Hemisphere. During his presidential term the negotiations between the United States, Canada and Mexico over NAFTA were launched. The negotiations were built upon the innovations of the Canada-U.S. accord signed in 1986. NAFTA was a historical step, because it happened for the first time that a Latin American country linked up with an industrialized partner. Moreover, it became a prototype for other new initiatives in America during the decade. A series of new free trade agreements (FTAs) throughout the region followed the NAFTA model. The main goals of the agreement between the U.S., Canada and Mexico were: 1) the elimination of barriers in trade, 2) (supporting) the support for a fair competitiveness in the frame of new free trade area, 3) an the increase in investments, 4) the protection of intellectual property, and 5) the establishment further regional cooperation (Dobrzycki 2000: 437).

NAFTA had to be for the United States an instrument that could help in the realization of the United State's Latin American policy. Most of all, economic integration with Canada and Mexico created a huge regional market with economic potential that was competitive in comparison with united Europe or dynamic economies from Asia. NAFTA created new possibilities for American export. Mexico was a big market with about 100 million inhabitants, and it was a really interesting market for the American economy. Thanks to NAFTA, this market is now open for a lot of American goods and services. Also, NAFTA served the realization of the fundamental goal of American policy in the Western Hemisphere, which was promoting and strengthening democracy. Close relations between Mexico and the United States after signing NAFTA helped in the political transformation of Mexico. In 2000 the elections were held in Mexico, which became a real turning point in its history. After 71 years of rule, Partido Revolucionario Institucional (PRI) lost power, and Vicente Fox from the opposing Partido Acción Nacional (PAN) won the presidential election. The last presidential election in Mexico in 2006 also confirmed progress in democratization. In fact, NAFTA has significantly helped in stabilizing the economic and political situation in Mexico (Wiarda 1997). The signing of NAFTA also served more global goals of American foreign policy. Economic integration between the United States, Canada and Mexico was the impulse for a lot of new free trade agreements all around the world. And liberalizing world trade was one of the most important aims of U.S. foreign policy (Mansfiel, Miner 1999: 614). Of course, critics of NAFTA can present various negative effects of this initiative. Some of them emphasize that the U.S. trade deficit with Mexico exploded.

This is true, but maybe it was the price the United States had to pay for the economic and political stabilization of its southern neighbor? Others will argue that NAFTA did not help reduce Mexican immigration to the United States. In their opinion, it is a consequence of the ineffectiveness of NAFTA as an instrument of improving the economic situation in Mexico (Stracie). But they often forget that these goals can not be achieved by NAFTA. A complex set of instruments is needed to achieve all goals of U.S. policy toward Mexico; NAFTA is simply one of them.

Latin American countries carefully watched the implementation of NAFTA and most of them embraced Bush's proposal of partnership and trade liberalization included in EAI. Most of them implemented economic and political reforms. Latin America has always valued regional integration in its rhetoric, but reality spoke of national priorities. NAFTA stirred rejuvenation. The Andean Pact accelerated the integration process to establish a free trade zone and a common external tariff in 1992. Brazil, Argentina, Paraguay and Uruguay signed a common market treaty in 1991 and established a single trade area (MERCOSUR) with a common external tariff in 1995. The Central American Common Market and the Caribbean Community also took steps to reduce their internal trade barriers and establish common external tariffs (Pastor 2001: 275). After completing the NAFTA negotiations and securing its approval by Congress, the new administration of Bill Clinton did not resign from further integration and trade liberalization in the Western hemisphere. A series of transformations made the 1990s an ideal time to consolidate improved economic relations with Latin America. For the first time in history, the developed North, represented by the United States and Canada, and the developing South began using the same economic language (Weintraub 1997).

The Clinton administration was conscious of the growing role of the Latin American region in the changing world situation. In this completely new situation, it was no longer the contending of communism or other ideologies that was the priority of American foreign policy. Undoubtedly, the most important goal of U.S. policy in Latin America became strengthening of the democratic transition in the region. Equally important were economic affairs. During the Miami Summit in 1994, in his speech, Bill Clinton appealed to Franklin D. Roosevelt and John F. Kennedy (Fiedler 1994) and proposed economic integration of all countries of the Western Hemisphere, as a new form of cooperation between the United States and its southern neighbors (Sheridan, Marquis 1994). During the summit of the Americas in Miami, December 9–11, 1994, leaders of all countries of the Western Hemisphere were present, except Cuba. All of them adopted the so-called Declaration of Principles. However, not all of the countries were enthusiastic about the idea of the Free Trade Area of the Americas (FTAA/ALCA) that was proposed by President Clinton. Finally all of them agreed that the FTAA should be created by 2005. The second part of the Miami Declaration says that: "A key to prosperity is trade without barriers, without subsidies, without unfair practices and with an increasing stream of productive investments. (...) Free trade and increased economic integration are key factors for raising standards of living, improving the working conditions of people in the Americas (...)" (Miami Declaration of Principles). It is important to notice here that the first Summit of the Americas held in Miami in December, 1994, started a process quite unique in the history of regional integration. Compared with other past experiences of regionalism, it was the only instance in which such an asymmetry of power among the member countries could be found.

Coping with such a power difference had to be considered as the most significant challenge in the management of hemispheric integration (Gordon, Loisean 2005: 107). What is characteristic for this new regionalism is the fact that the creation of FTAA was not the only economic initiative. It was an instrument of economic integration, but FTAA had to serve other goals too. One of the most important was the promotion of democracy in Latin American countries. As a result, the Summit of the Americas in Miami created a new forum with its principles of promotion and protection of democracy in the Western Hemisphere (Derwich, 202–213).

Although all 34 leaders in Miami signed the Declaration and agreed on the general aims of the FTAA process, the negotiations were not easy. Until the second Summit of the Americas, held in Santiago de Chile, negotiations did not move forward much. After the decision of the Fourth Ministerial Meeting in San Jose in March 1998, leaders of 34 states officially started negotiations over FTAA in Santiago de Chile in April 1998 (Santiago Declaration). However, although the Santiago Declaration was signed and official negotiations over FTAA were launched, the Summit showed that economic integration would not be an easy task. Different conceptions of the liberalization of trade and huge disproportions between countries were the main barriers in achieving consensus. But the Santiago Summit also proved that the process of creating FTAA could be a useful instrument for achieving other aims, not only economic ones. Most of all, the process of creating FTAA and the Summits of the Americas was an effective instrument of strengthening democracy. As César Gaviria wrote: “The FTAA was conceived from the beginning as part of a broader effort at rapprochements, one that was not limited to exclusively commercial aspects” (Gaviria 2001).

The third Summit of the Americas, held in Quebec City in April 2001, confirmed the stagnation of economic integration in the frame of FTAA. However, it also confirmed that the new regionalism in the Western Hemisphere was a broader phenomenon and included not only economic integration but other spheres, too. However, for the new administration of George W. Bush, the idea of FTAA was also a useful instrument of U.S. foreign policy. The Free Trade Area of the Americas could a positive spur to global freer trade (Feinberg 2002: 132). The importance of regionalism and cooperation with Latin America for the United States was underlined by Robert Zoelick – then the US Trade Representative – who said: “If the Americas are strong, the United States will be positioned to pursue its aims around the world” (Zoelick 2005). Although Bush declared that the Quebec City Summit would be a turning point of negotiations, the third Summit did not move forward negotiations over the FTAA. The most important effect of the Summit was signing the Quebec City Declaration that included a democratic criterion. All leaders agreed that “(...) any unconstitutional alteration or interruption of the democratic order in a state of the Hemisphere constitutes an insurmountable obstacle to the participation of that state’s government in the Summit of the Americas Process” (Declaration of Quebec City 2007). Instead of progress in creating a free trade area, there were more critical voices and disputes. The biggest controversy created a huge disproportion between the economic potentials of some states. Small countries demanded strong guaranties for their economies (Gudymas 2001: 6–7). In this situation it is not a surprise that the last Summit of the Americas, in Mar del Plata in November 2005, failed to unite the leaders of all Western Hemisphere countries. It is not that most of the leaders did not want to be a part of the global economy; it is just that they say they want more input in defining the terms. Many share Chavez’s desire

for more expansive state-run social programs, but unlike the Venezuelan president – they are hesitant to alienate trading partners, including the United States, that might help fund those programs (Reed 2005). The Mar del Plata Summit showed that there is still a deep division between those countries who want to continue negotiations on a hitherto basis and those who do not see that possibility. The second group includes the countries of Mercosur (Argentina, Brazil, Paraguay, Uruguay and Venezuela) (El Universal, La Nacion) supported by Bolivia and Ecuador after the last presidential election. The Bush administration hoped that the fourth Summit of the Americas could be an excellent occasion for the improvement of inter-American relations (La Nacion, *EE.UU. teme...*) but the summit finished in a fiasco. It was the first time in the 11-year-old history of the Summits of the Americas that participating countries failed to agree on advancing the talks for a hemispheric-wide free trade area (Oppenheimer, *The final...*). In fact, the Summit in Mar del Plata is the end of the FTAA idea in the form that was proposed by Bill Clinton during the Miami Summit.

Meanwhile, as the United States was observing growing difficulties during the negotiations over the FTAA, the Bush Junior administration decided to broaden the zone of free trade in the Western Hemisphere separate from the FTAA process. As a result, there appeared the conception of the Central American Free Trade Area (CAFTA) that would include Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the United States. Later, the conception was enlarged by the Dominican Republic. As the beginning of his second term, President Bush and his administration were determined to realize this project. It was perceived as an instrument of persuasion for those countries that were reluctant to the idea of FTAA (Oppenheimer, *Free trade...*). The Bush administration also saw CAFTA as an instrument that could help strengthen democratic transformation in the Central American countries (Fish, *The Critical...*, Zoelick, *From Crisis...*).

Finally, the agreement about CAFTA was ratified by the U.S. House of Representatives on July 18, 2005, and a bit later the Senate approved the trade pact, too (La Nacion, *EE.UU. aprobó...*, El Universal, *Satisfice a Bush...*). This allowed President Bush to put his signature to the nation's biggest reduction of trade barriers in more than 10 years. The agreement about CAFTA is modeled on the North American Free Trade Agreement. Both are new models of economic integration. They not only mention the matters of free trade and economic cooperation but also include statements about environment protection, workers' rights and intellectual property rights. In the agreement, the signatories stated that the creation of CAFTA has to strengthen the special bonds of friendship and cooperation among their nations, promote regional economic integration and create an expanded and secure market of goods and services produced in their territories (The Central America – Dominican Republic Free Trade Agreement). The case of CAFTA confirms that the United States still wants to play an active role in the new regionalism in the Western Hemisphere.

Although, the Mar del Plata Summit fiasco means a challenge for hemispheric integration and new regionalism in the Western Hemisphere, it does not mean the end of the wave of regionalism in that region. The effects of NAFTA and the results of the process of the Summits of the Americas confirmed that they are important instruments of U.S. Latin American policy. The fundamental goal of American policy in Latin America – strengthening of democratic values and processes – was realized also by the economic integration and active role of the United States in the new regionalism. We

have to remember that the reason for creating NAFTA was not only economic calculations but also helping in the democratic transition in Mexico. And it has ended successfully, which was confirmed by the elections in 2000 and 2006. The United States paid a high price for it, but it was the price for political and economic stability of its southern neighbor. Also, the process of the Summits of the Americas has its successes in the sphere of democratization. The final effect of the adoption of democratic criterion during the Quebec City Summit was the adoption of the Inter-American Democratic Charter in September 2001. In the end, we can conclude that the United States played an active role in the new regionalism wave in the Western Hemisphere. And we have to add that it was an important instrument of U.S. Latin American policy. It is worth underlining, too, that after the fiasco of the Mar del Plata Summit, it seems that instead of multilateral initiatives, the American administration is concentrating more on bilateral agreements.

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